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New Haven Public Market Concept Plan & Feasibility Study

Prepared for: CitySeed New Haven, CT

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Introduction

In July 2006, CitySeed retained Market Ventures, Inc. to assess the feasibility of creating a public market in downtown New Haven, Connecticut. This report describes the study tasks and summarizes the findings and conclusions.

The idea of creating a public market in New Haven has been discussed for many years. CitySeed is a small nonprofit that has successfully developed and operated outdoor farmers' markets at several sites around New Haven. As a means to expand the benefits of its seasonal farmers' markets and further its mission of creating an equitable, local food system that promotes economic development, community development and sustainable agriculture, CitySeed decided to explore the creation of a year-round, indoor food market at a site in the downtown.

The project team initially included Ted Spitzer, President, Market Ventures, Inc., and Hugh Boyd, FAIA, of Hugh A. Boyd, Architects. Over the course of the project, as the challenges of developing a public market in downtown New Haven became clear, the original scope of services was reduced and the role of the study architect was eliminated.

In March 2007, CitySeed and Market Ventures, Inc. ("MVI") agreed to limit the scope of services to economic feasibility only. Rather than developing an in-depth plan for a single site for the proposed public market, Market Ventures, Inc. agreed to conduct a more generalized analysis of three sites, identifying the critical issues that CitySeed would face in developing and operating a public market on these or similar sites. The analysis excluded the concept district plan and the market hall design, as originally planned. The financial analysis included projections for each for the three sites, but no longer included cash flow analysis or development cost estimates. The three sites included: (1) the vacant lot on Fair and State Streets (the Fair Street site), (2) the Wachovia Building on Crown and Church Streets, and (3) the Pirelli Building next to IKEA on Sargent Drive.

In July 2007, as the results of the research and analysis became evident, CitySeed and Market Ventures, Inc. agreed that conditions were not currently right for development of a permanent, stand-alone, indoor, year round public market in New Haven. Therefore, CitySeed and MVI decided to further limit the scope of services to preparing a report that incorporated the research and analysis to date. This included initial concept, site analysis, market research, and conclusions, and preparing recommendations for improving CitySeed's current operation at Russo Park. The analysis that led to this determination is presented in the section below entitled "Feasibility analysis."

Vision and Goals

With input from MVI, CitySeed prepared the following vision statement and mission for the New Haven Public Market:

Vision

CitySeed envisions the New Haven Public Market as a place where community members will obtain a wide range of fresh and prepared foods while supporting local farmers, local small entrepreneurial businesses, and the local economy. We see the market as an

important 'public space' within the community, where residents of the city, the region, and tourists all mingle in an architecturally compelling space. We envision that the market will contribute to efforts to enhance community food security by expanding access to high quality, fresh foods and supporting growers in the region.

Mission

The mission of the New Haven Public Market is:

- 1. To support local agriculture and food producers
- 2. To provide opportunities to small, independent businesses
- 3. To expand access to locally grown and produced foods and encourage consumption of nutritious, fresh foods
- 4. To help revitalize downtown New Haven

The development concept explored in this study sought to match the proposed vision and support the market's mission.

Concept

The concept for a New Haven Public Market is to create a vibrant market hall where independent, locally-owned businesses feature food and wine from Connecticut and the region, with an emphasis on produce, fresh meat, poultry, seafood, baked goods, dairy, specialty food items, and wine, plus prepared food for both take-out and to eat on-premises. This concept is modeled after successful public markets in other cities, such as the Milwaukee Public Market, Pike Place Market in Seattle, Granville Island Public Market in Vancouver, Reading Terminal Market in Philadelphia, Pennsylvania, and Grand Central Market in New York.

Merchandising characteristics

While each public market is unique, there are some common elements found in most of the country's successful public markets. They include:

Owner-operated businesses - the merchants in public markets own and operate their own businesses; national chains are generally not allowed and even regional franchises are discouraged. Owner-operators offer customers the most knowledgeable and attentive service, as well as the accountability that only an owner can provide. As a result, public markets are centers of small business activity, providing opportunities for low-capitalized entrepreneurs. Great personalities are a key to creating loyalty with customers. To compete successfully with supermarkets and chain groceries, vendors within a public market must take advantage of their principal competitive advantage: themselves.

- **Farmers and food producers** the presence of farmers and food producers within a public market and a bounty of locally grown foods further differentiates the experience of shopping at a public market with other retail venues. Local, farm fresh foods make the market authentic. Vendors who create their own products further ensure the uniqueness of the public market shopping experience.
- Scale the best public markets have enough vendors to create a bustling atmosphere, where new products are continually being introduced and unique items are offered for sale. A downtown public market should become recognized as the premier location to shop for fresh food in the region. A public market must be large enough to create an exciting public market atmosphere, but not too large that vendors cannot reach profitability because the market is saturated with too many businesses chasing too few dollars.
- Customer-friendly atmosphere Unlike supermarkets, public markets are valued for their customer service orientation and their hospitality. Market businesses typically have several employees at all times to serve their customers (this increases the number of jobs at a public market, making it a desirable economic development strategy, yet increases costs for the vendors and lowers the market's efficiency). Successful public markets strive to make the market experience more than just buying food and wine by offering educational activities, special events, and festivals.
- **Sensory experience** through layout, display, and food preparation, public markets present the customer with a rich composition of sights, sounds, smells, and tastes. These combine with the products, the architecture and surrounding environment, and the mix of people who take part in the market to make an exciting and satisfying urban experience.

Pricing

The sponsor and manager of a public market have no direct control over the prices of goods sold in a public market; prices are set by vendors individually. In general, small businesses face many disadvantages compared to large chain operations in terms of prices: they often have higher cost of goods because they lack clout to negotiate lower prices and they cannot buy in large quantities and get volume discounts. Again in general, food produced by farmers in the Northeast is more expensive than food produced by low cost producers elsewhere in the world, particularly on a year-round basis. Many successful public market vendors focus on offering unique items for sale rather than commodities since these do not carry an associated "market price." Often the more true a public market is to having local food producers, the higher the prices. This impacts the market's goal of encouraging consumption of locally grown foods, particularly among people with lower incomes.

The market sponsor can affect prices in several ways: (1) by the tenants it chooses to include in the market, (2) by the costs associated with establishing a business in the market either through rules (such as allowing used vs. new equipment) or by absorbing some of the costs of construction that are typically paid by a tenant (such as final fit out, electrical and plumbing), and (3) by rents and other costs of occupancy. Focusing on vendors who sell low priced items

can switch the focus from local food producers, since local foods are often more expensive. Lowering the second type of costs, which can be thought of as "costs of entry," will drive up the market's development cost because the sponsor will need to include these items in the project's development budget. Lowering costs of entry can also have the unintended consequence of reducing tenants' commitment to the market because they will have not made a significant investment into their business, making it easier to quit. Lowering the third type of costs, occupancy, will impact the market's ability to pay its own costs of operation. If rents do not cover all the costs of operations, then the market will require operating subsidy, which is generally not available or desirable. All of these factors must be considered when developing the tenant mix plan and operating pro forma.

Site Analysis

Working with the City of New Haven, CitySeed sought to identify potential sites in and around downtown New Haven that would be appropriate for a public market. Important site criteria include:

- Size and expansion potential
- Availability
- Cost
- Proximity to buyers
- Access
- Circulation
- Physical characteristics (such as slope or soil conditions)
- Parking
- Adjacent uses and potential neighborhood concerns

In terms of size, the public market model is flexible, with successful examples of public markets ranging from about 20,000 square feet to multi-acre public market districts. Adjacent surface parking has proven to be a critical factor for success. The relatively low sales per customer at a public market (compared to a supermarket) and the lengthy average time of visit (encouraged by the intentionally comfortable and pleasing physical environment) results in high parking demand. The needed number of parking spaces depends on the size of the market, but can easily reach several hundred spaces. For example, feasibility analysis that Market Ventures, Inc. conducted for a new public market in Milwaukee (which had 24 vendors inside a 21,600 sf building) determined that the market would require 135 spaces during the week and 230 spaces on the weekend for the average week, and 50% more during peak weeks.

At the beginning of the feasibility study, CitySeed believed that the City of New Haven would work with the organization to identify potential sites that would be available at minimal or no cost. Over the course of the study, the development landscape in New Haven changed and it became apparent that no such sites were available.

Potential sites

Initially, the site selection focused on the Shartenburg site, a large vacant parcel at State and Chapel Streets for which the City requested development proposals in 2006. CitySeed promoted the public market idea to each development team and partnered with several of the teams in their proposals. However, the City selected a development team that did not include a public market. Instead the developer plans to include a grocery store. This will provide direct competition to the envisioned public market and will significantly alter the competitive environment for food sales in the downtown.

Market Ventures, Inc. visited numerous sites, including the Route 34 corridor just west of downtown, the Chapel Street Mall, and the "market island" on Broadway at Elm Street. CitySeed identified three potential sites for a public market which it directed Market Ventures, Inc. to focus on in February 2007:

- 1. Fair Street lot at State Street
- 2. Wachovia Bank Building on Church and Crown Streets
- 3. Pirelli Building adjacent to IKEA on Sargent Drive

A description of each site and its suitability for a public market is discussed below.

Fair Street site

The Fair Street site is a vacant lot owned by the City of New Haven on Fair and State Streets, with State Street traffic going northbound on the east side of the site and southbound on the west side. Depressed railroad tracks are adjacent to State Street to the east. The Knights of Columbus Museum is located across Fair Street to the south. A small triangular lot is to the north and several small office/residential buildings are located across State Street to the west.

The challenges of the Fair Street site include its somewhat small size, a significant slope across the site, lack of adjacent parking, and a generally



Fair Street site facing west

unsupportive retail environment. The photos below show both the environment and the slope condition. While there is some parking along State Street to the north, this did not appear adequate to meet the needs of the public market.



Fair Street site facing south



Fair Street site facing west



Fair Street site facing west

Wachovia Bank Building

The Wachovia Bank Building is located at the corner of Church and Crown Streets. As the photo to the right shows, the architectural style is Greek Revival, as is typical with historic urban bank buildings. The first floor contains about 12,000 sf and the building includes a basement and partial upper stories.

The building is owned by a property investment firm and currently rents the building to Wachovia Bank. It is possible that the bank might locate out of the building and consolidate its operations at a nearby facility. According to a representative of Edgewood Capital Partners, the owners are seeking \$23 per sf, NNN. This equals \$276,000 per year for the 12,000 sf first floor. It is highly unlikely that the public market could generate this level of rent from only 12,000 gross sf.

A significant problem with this building is the lack of parking. There is a small parking lot behind the building that provides 20 spaces for customers. The





other spaces in the lot are dedicated to office tenants. Another major problem would be rebranding this building as a public market. At 12,000 sf, it is also small. A final problem is lack of handicap access – currently the building does not have handicap accessibility.

Pirelli Building

The Pirelli Building is a landmark eight story office building designed by Marcel Breuer located adjacent to IKEA on Sargent Drive. It is currently owned by IKEA and used for training, although reportedly the upper floors are vacant.

The principal benefit of this building is its location adjacent to I-95 and the I-93 intersection, which provides tremendous visibility from the highway. IKEA is also a destination that draws shoppers from a wide



geographic area, as would the public market. There appears to be substantial parking around the building although it is used by IKEA as well. IKEA representatives said that they were very concerned about parking during weekends and around holidays, the very times when public markets are busiest, as well.

Physically, the Pirelli Building does not have characteristics that lend themselves to a public market. Although the interior of the space was not inspected, the exterior does not have the permeability or access points that is



traditionally found in public markets. Due to its historic designation, options for changing the exterior would be limited. Like the bank building, this would be a difficult to rebrand as a public market.

In conversations with representatives from IKEA in Spring 2007, CitySeed discovered that IKEA is not interested in having the building used for a public market at this time.

Conclusion

The three sites examined during the feasibility study were either not well suited for a public market or not available. Other sites in and around the downtown that received a more cursory inspection also did not seem suitable. The highest potential location appears to be within the New Haven Food Terminal, which is adjacent to IKEA on Sargent Drive, although this site was not analyzed in detail.

Demand Analysis

The purpose of the customer demand analysis is to quantify the potential demand for fresh and prepared foods at a public market in the proposed location, and to identify the targeted customers for the market. Demand analysis consists of defining the market's trade areas, evaluating the demographics of the residents of the different trade areas, and analyzing buying behavior in order to estimate potential expenditures for the different products sold in the market. Both the experience of other public markets and the characteristics of New Haven helped shape the trade area decision.

A few general comments can be made about the differences between public markets and supermarkets:

• Public markets compete with the modern supermarket and other retail food outlets for consumers' patronage by providing a shopping environment unlike the typical American

retail experience, with individually owned businesses linked to the region's food and agriculture and inviting public spaces.

• While supermarkets strive to obtain a large percentage of the expenditures for food within a small geographic area, downtown public markets realize a small percentage of these expenditures from a much larger area. The trade areas of downtown public markets are generally much larger than supermarkets'.



• It is typical for customers to drive 20 to 30 minutes to shop at a large, successful public market, even if most of their food shopping can be done more conveniently at supermarkets within several minutes of their homes.

• Tourists often seek out authentic public markets because they are such unique places,

offering a window into the culture of the region where they are located because they cater first and foremost to area residents, not tourists.

New Haven is a fairly small city, with a population of about 125,000 within the city limits. The population of New Haven County is about 845,000.



Trade areas

Three separate trade areas were defined for the public market, using the Fair Street site as the center point (see maps). The other two sites are close enough to this location that the demographic analysis should not be affected by their different locations, although the interpretation of the data will be much different for the Pirelli site because of its visibility from I-95 and its adjacency to IKEA:

1. Residents of a one-half mile ring around the site. This ring, which encompasses 0.8 square miles, includes nearby neighbors of the site, for whom the market will be very convenient. Many would be expected to walk to the site. At present, there is very little competition

- within this area for fresh foods, although the planned inclusion of a grocery store as part of the redeveloped Shartenburg site will significantly alter the competitive landscape.
- The area between the 0.5 mile ring and a 3 mile ring. This band incorporates nearly all of New Haven, encompassing 27.5 square miles. The public market will generally be convenient to residents and workers in this area although it will be beyond easy walking distance. There are several grocery stores in this trade area, including natural foods stores.
- The area between the 3 mile ring and a 20 mile ring, which covers much of New Haven County, stretching to I-84 in the north. The area within this band is 1,228 square miles, although nearly half of this amount is over the Long Island Sound. Based on our research at numerous public markets, this represents the typical catchment area for a large downtown public market.

In addition to these trade areas. the demand analysis also includes estimates of potential patronage by

tourists (defined as anyone who lives outside the 15 mile ring), and considers the potential utilization of the market by downtown workers.

According to research that Market Ventures, Inc. has conducted at other downtown public markets, public markets attract a wide range of shoppers in terms of age, ethnicity, and income level. In general, families buy more fresh food than individuals or people living in unrelated households, and people with higher income levels (\$50,000 and above) are more frequent shoppers and spend more than people with lower incomes. The highest spending customer is typically a 40 to 55 year old woman. What is unique about public markets, however, is their ability to appeal to both the highest income shoppers and lower income shoppers. While higher income shoppers might be drawn by unique products and superior quality, lower income and elderly shoppers appreciate the ability to purchase smaller quantities, the ability to negotiate with empowered owners, ethnic specialties, and competitive prices.

Demographic data about the three trade areas were acquired from Claritas, a national market research data company. The acquired data include 2000 U.S. Census information, estimates developed by Claritas for 2007, and projections for 2012. Data from the three trade areas are summarized in the chart below:

	0.5 mile ring	0.5-3 mile band	3-20 mile band	Total	USA
Population 2000 census	5,352	144,119	1,002,453	1,151,924	
Population 2007 estimate	5,992	146,332	1,032,025	1,184,349	
Population 2012 projection	6,385	147,299	1,048,290	1,201,974	
Population change 2007-2012	6.56%	0.66%	1.58%	1.5%	4.6%
Population change 2007-2012	393	967	16,265		
Households 2007	3,077	55,276	393,602		
Average household size	1.72	2.44	2.56		
Median age	30.08	32.13	39.36		36.5
Average household income	\$38,549	\$49,570	\$79,221		\$66,670
Per capita income	\$20,388	\$19,295	\$30,484		\$25,495
Household income >\$50,000/yr	23%	36%	59%		
Family households	29%	57%	69%		
Age 35-64	28%	35%	42%		
Percent Hispanic	19%	18%	9%		15%
No Vehicles	46%	25%	10%		
Bachelor's Degree	18%	12%	16%		16%
Master's, Professional or					
Doctorate	25%	13%	12%		9%

Trade area 1: One-half mile ring

2007 population for the one-half mile radius is estimated at 5,992 people, which represents a 12.0% increase from the 2000 Census count of 5,352. In 1990, the population was only 4,447 and it grew 20.4% between 1990-2000. The population is expected to increase by another nearly 400 people, or 6.6%, by 2012, to 6,385 people. By comparison, the population of the United States is expected to grow 4.6% between 2007 and 2012. The other two trade areas are growing much more slowly.

The trade area has 3,077 households in 2007, with an average household size of only 1.72 people, which is far below the national average of 2.6. Only 29% of these households (886 of 3,077) are families. Typically, small household size and small percentage of families would suggest lower than average purchases at a public market. The number of families in this area is expected to increase somewhat by 2012 to 940 families.

The median age of the population, at 30.08, is well below the national median of 36.5. Only 28% of the population are in the targeted age range of 35 to 64. The area is overrepresented by people who are 18-34, as expected due to the presence of the university.

Household incomes in this area are low compared to both the other trade areas and the national average, although this is driven, in part, by the small household sizes. Per capita income for the first two trade areas are fairly close (\$20,388 and \$19,295). By contrast, household income in the third trade area is very high: \$79,221, compared to a national average of \$66,670.

As expected in a university town, educational attainment is high: 18% of the residents in this trade area have a bachelor's degree and a whopping 25% have a master's, professional, or doctorate degree. This compares to 16% with a bachelor's degree and 9% with a higher degree on a national basis. Educational attainment has been shown to have a strong correlation with higher spending for quality food, so this demographic quality helps to offset the low median age and small household size.

A large percentage of the households have no vehicle: 46%. For these households, the convenience of a public market in the downtown should be very welcome.

Hispanic residents constitute 19% of the trade area. This is about the same as the second trade area and substantially higher than the largest trade area. In communities with a large population of recent immigrants, Hispanic residents can be frequent public market shoppers because of their familiarity with market trade in their countries of origin.

Based on the demographic profile of area residents and typical expenditure patterns as determined by the Bureau of Labor Statistics' Consumer Expenditure Survey, Claritas estimates the retail sales potential for consumer goods. Using their estimated per capita expenditures for various food items, Claritas creates a Food Purchasing Index that compares local expected purchases to national averages on the household level. In any category, a score of 1.00 means that households within the defined trade area are expected to buy exactly the same as the national household average. If households in the targeted trade area are expected to purchase less of a particular product, the index will be less than one. Conversely, if they are expected to buy more of a certain item, the index will be more than one. For example, if the average household in the trade area is expected to buy \$1,200 worth of baked goods per year and the national average is \$1,000 per household, then the index would be 1.2.

For the one-half mile radius, the food purchasing index for 2006 and 2011 is:

0.5 mile ring	Yr 2006 Estimate	Yr 2011 Projection
Food at Home - overall	0.73	0.73
Food away from Home - overall	0.84	0.83
Market categories		
Baked goods	0.73	0.73
Dairy	0.72	0.72
Meat	0.72	0.72
Poultry	0.97	0.97
Prepared foods	0.58	0.57
Produce - fresh	0.86	0.87
Seafood	0.87	0.85
Specialty food (jams, jellies)	0.66	0.65
Sweets	0.64	0.63
Beverages - nonalcoholic	0.70	0.71
Wine	1.03	0.97

In all cases but one, these scores are below one, suggesting that household expenditures will be below national averages. In several cases, the scores are well below one, such as prepared foods at 0.58 and specialty food at 0.66. These low scores are certainly influenced by the small size of households in this trade area and low household incomes. Wine is the only item with a 2006 estimate more than 1.0, although that is supposed to slip to 0.97 by 2011.

In general, these findings suggest that residents of the first trade area will not be strong users of the public market, particularly if a grocery store that meets their needs is located within the trade area (such as the one planned for the Shartenburg site).

Trade area 2: Area between 0.5 mile ring and 3 mile ring

The area between the one-half mile ring and a three mile ring contained 144,119 people in 2000 and is estimated to be 146,332 in 2007, a slight 1.5% change over seven years. The population is expected to grow very slightly to 147,299 by 2012.

This area is divided into 55,276 households, with an average household size of 2.44, which is larger than the one-half mile trade area but still below the city average. On average, this is a young population, with a median age of 32.13, below the national average of 36.5. More than half (57%) of the households are families.

Average household income in this area is \$49,570, which exceeds the first trade area by about \$11,000 but lags the larger one by \$29,000. 36% of the households have income of more than \$50,000.

25% of the households do not have a vehicle, so most have the ability to drive to the site. Public transportation is available downtown to bring residents without a vehicle to the market.

The Food Purchasing Index for this trade area is closer to national averages, with some items above and some below. Interestingly, the area tracks low for prepared foods but high on some fresh foods, particularly poultry.

0.5-3 mile ring Food at Home - overall Food away from Home - overall Market categories	Yr 2006 Estimate 0.94 0.91	Yr 2011 Projection 0.94 0.89
Baked goods	0.95	0.95
Dairy	0.93	0.93
Meat	0.98	0.99
Poultry	1.23	1.23
Prepared foods	0.76	0.75
Produce - fresh	1.02	1.01
Seafood	1.08	1.06
Specialty food (jams, jellies)	0.90	0.89
Sweets	0.86	0.85
Beverages - nonalcoholic	0.89	0.89
Wine	1.00	0.95

Trade area 3: Area between 3 mile radius and 20 mile radius

The 3-20 mile band contains about one million people divided into about 400,000 households. This population is expected to grow only 1.58% between 2007 and 2012, while the country as a whole is expected to grow 4.6%.

A robust 69% of the households are families and the average household size is 2.56. The median age is 39.4, substantially older than the other two trade areas and above the national average of 36.5, as well.

Average income in this trade area is \$79,221, which is far above the other two trade areas and well above the national average of nearly \$67,000. Per capita income is about 50% higher than the other two trade areas, at \$30,484. A full 59% of the households have household income of more than \$50,000. Only 9% of the households do not own a vehicle so access to the downtown for shopping should not be a problem. Educational attainment in this trade area is the same as the national average for bachelor's degrees (16%) but above the national average for higher degrees (12% compared to 9%). Overall, the demographics in this trade area are strong for the public market.

This trade area ranks above national averages for food purchasing in nearly every category. It is particularly strong on poultry, baked goods, seafood, fresh produce, and wine, all key public market vending categories. The trade area also ranks highly on food away from home overall, at 1.15.

3-20 mile ring	Yr 2006 Estimate	Yr 2011 Projection
Food at Home - overall	1.10	1.09
Food away from Home - overall	1.15	1.13
Market categories		
Baked goods	1.17	1.17
Dairy	1.13	1.12
Meat	1.06	1.06
Poultry	1.25	1.24
Prepared foods	0.98	0.98
Produce - fresh	1.17	1.16
Seafood	1.24	1.22
Specialty food (jams, jellies)	1.10	1.10
Sweets	1.11	1.10
Beverages - nonalcoholic	1.03	1.03
Wine	1.35	1.32

Tourists

Tourists can make up a significant percentage of a public market's clientele, depending on its location. Tourists are often attracted to markets because they are unique places, offering a window into the culture of the region where they are located. As Americans have become more interested in food and cuisine, they are searching out public markets when they travel.

Some public markets experience significant challenges managing the tourist influx. The management at Pike Place Market, for example, reports that sales for fresh foods are suppressed in the summer – even though the largest quantity of locally grown items are available then – because local shoppers stay away from the market when the aisles are clogged with tourists. Farmers actually have higher sales in the winter than in summer. The short term economics of catering to tourists sometimes drives vendors to offer more items to this customer base (prepared foods and gifts, rather than fresh foods), eroding their local clientele and eventually degrading the shopping experience for tourists, as well.

The location of the public market will greatly influence the number of tourists. If the market is visible from I-95 or I-93 then it is much more likely to attract tourists than a site at the edge of the downtown, such as the Fair Street site.

Given the wide variation in tourist purchases, a capture rate methodology has not been developed for tourists. Rather, we utilize a mark-up factor over the sales to local residents. For this analysis, sales to tourists have been projected at 20% of the total.

Sales potential

The chart below shows Claritas estimates for aggregate annual food and beverage expenditures divided between the types of products typically found in a public market. The table on top shows estimates for 2006 and the table below shows projections for 2011.

Yr 2006 Estimate .5 mile ring .5-3 m band 3-20 m band

Market categories	(million)	(million)	(million)
Baked goods	\$1.26	\$31.02	\$270.24
Dairy	\$1.29	\$31.64	\$270.15
Meat	\$1.74	\$45.24	\$346.61
Poultry	\$1.08	\$25.67	\$184.67
Prepared foods	\$0.44	\$10.25	\$92.02
Produce - fresh	\$1.28	\$28.61	\$231.91
Seafood	\$0.33	\$7.72	\$62.59
Specialty food	\$0.96	\$24.66	\$228.61
Sweets	\$0.45	\$11.49	\$111.81
Beverages -			
nonalcoholic	\$1.28	\$30.78	\$253.46
Wine	\$0.56	\$10.26	\$98.23
Total	\$10.67	\$257.33	\$2,150.29
Yr 2011 Projection	.5 mile ring	.5-3 m band	3-20 m band
Market categories	(million)	(million)	(million)
Baked goods	\$1.44	\$33.36	\$295.20
Dairy	\$1.44	\$33.57	\$290.51
Meat	\$1.94	\$47.63	\$368.18
Poultry	\$1.26	\$28.43	\$206.71
Prepared foods	\$0.58	\$12.62	\$116.14
Produce - fresh	\$1.59	\$33.22	\$272.92
Seafood	\$0.45	\$9.92	\$82.22
Specialty food	\$1.14	\$27.44	\$250.09
Sweets	\$0.55	\$12.97	\$128.90
Beverages -		•	
nonalcoholic	\$1.28	\$32.70	\$271.40
Wine	\$0.63	\$11.06	\$110.90
Total	\$12.31	\$282.91	\$2,393.18
Change 2006-2011	15.4%	9.9%	11.3%

Adding the various categories within each trade area, total sales potential in 2006 for residents within the one-half mile ring is \$10.67 million. Based on population change, rising wealth, and lifestyle trends, this figure is expected to increase to \$12.31 million by 2011, an increase of 15.4%. Similarly, the other two trade areas are also expected to see increased sales potential: 9.9% in the 0.5-3 mile band and 11.3% in the 3-20 mile band. Total sales potential in 2006 for the 0.5-3 mile band is \$257 million and \$2.15 billion for the 3-20 mile band.

These market categories do not include estimates for food purchased away from home, including breakfast/lunch/dinner, snacks, catered affairs, and food on trips. For 2006, food purchased away from home equaled \$12 million in the first trade area, \$246 million in the second, and \$2.21 billion in the third. As the populations change and the trend toward eating more meals away from home continues, these figures are projected to increase somewhat over the next five years to \$14.9 million, \$283 million, and \$2.59 billion, respectively. Compared to national averages, these areas index at 84 for the first trade area, 91 for the second, and 115 for the third. Prepared foods can be important components of public markets. Many public markets

have successful restaurants, including several full service restaurants within the Ferry Plaza Marketplace and numerous restaurants within Seattle's Pike Place Market and in and around Granville Island Public Market.

To estimate potential sales for fresh food products within the market, the consumer expenditure data is utilized with

Trade Area	2007 Sales Potential
0.5 mile radius	\$864,800
0.5-3 mile band	\$6,052,600
3-20 mile band	\$3,984,300
Tourists	\$2,180,340
Total	\$13,082,040

projected capture rates. See the chart labeled "Sales Analysis -2007," in Appendix A. This chart repeats the product categories and sales estimates from the chart above in the first two columns. The third column, labeled "Potential," contains a realistic estimate for the percentage of sales that the public market vendors should be able to obtain. 1

The fourth column, labeled "Sales," is the product of multiplying the potential by the capture percentage. For example, in the Baked Goods category, Claritas estimates \$1.3 million in consumer expenditures within the first trade area. Market Ventures, Inc. estimates that market vendors could reasonably capture 10.0% of those sales, based on our experience and research. This results in the potential for \$126,200 in baked goods sales at the market from nearby residents. Adding the sales for baked goods across both the three trade areas, we estimate that the market could reasonably achieve \$1.6 million in baked goods sales.

Summing the sales total column for the 0.5 mile ring, the market could reasonably capture \$864,800 million in sales, which represents 8.1% of all fresh food sales in the zone, \$6.1 million in sales from the 0.5 to 3 mile band, which is 2.35% of fresh food sales in that region, and \$3.98 million from the 3-20 mile band, which is 0.19% of fresh food sales in that region. The chart above shows the sales potential from each trade area. Although comparable data is limited, successful downtown public markets in other cities have achieved up to 10% of the sales in the immediate neighborhood around the market and 3-4% of the fresh food sales within a 30 minute drive. Again, the sales levels will be highly influenced by the market's location.

Sales to tourists can add significantly to vendor income, although the market must be vigilant about maintaining its local focus. The experience at other successful public markets is that too many tourists can drive away local customers and force merchants to deviate from the fresh food concept towards more prepared foods and prepackaged items. For this analysis, tourists are expected to generate sales of \$2.2 million, which would increase total market sales to \$13.08 million.

The analysis of sales potential was repeated using projected data for 2011. The same capture rates were therefore applied to the projected sales potential. See the chart labeled "Sales

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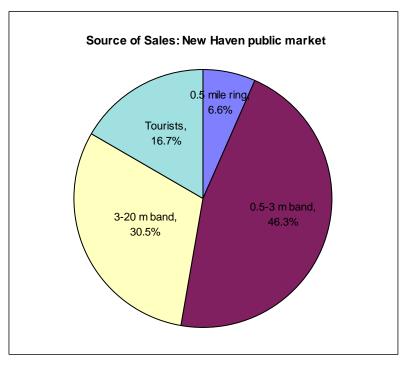
^{1.} These estimates have been developed and refined by the Market Ventures, Inc. through its work planning, developing, and operating public markets and its research of other public markets around the country. The ability to achieve these capture rates will depend on the market having the qualities of other successful public markets (good location, adequate scale, convenient parking, the right tenant mix with high quality vendors, skilled management, effective marketing, etc.) The potential suggests what an accomplished vendor might realistically achieve for sales from a trade area. A particularly strong vendor might achieve higher sales from the trade area and might attract customers from outside the trade area if his/her business is unique and attractive to consumers.

Analysis - 20011", Appendix A. Total sales increased to \$15.15 million.

Based on the 2006 sales estimate of \$13.1 million and an average sales per square foot of \$750, downtown New Haven should be able to support a public market of 17,433 net leasable square feet.

As the chart labeled "Source of Sales" shows, the 0.5-3 mile ring represents the largest share of sales, at 46% of the total, followed by the 3-20 mile band at 31% and tourists 17%. The wide dispersion of market customers will mean that a broad-based marketing strategy must be utilized to reach potential customers.

Downtown workers represent another potential source of customers for the market, particularly for ready-to-eat foods. According to the City Planning Department, about 40,000 people work in the downtown.² Depending on its



location, the New Haven Public Market should be able to attract some of these workers to visit the Market, especially during lunch. For the purpose of quantitative analysis, the potential sales to downtown workers are collapsed within the sales to area residents, but the presence of the downtown workers provides support for the concept.

Market vendors and farmers will benefit from several other sources of demand for their products in the public market. Chefs and restaurateurs are increasingly looking for locally grown, fresh, and interesting foods to add to their menus. Both market farmers and merchants will be positioned to establish accounts with restaurants and other wholesale buyers, and market management should help promote and facilitate this process. In other public markets, many merchants use their market stall as a base for catering and corporate sales, which can be highly profitable. The public market provides a high-profile location to create or promote a food business, which can lead to other store locations and sales opportunities. Web-based sales are also an emerging practice among public market vendors. A store in a public market with an e-commerce web site allows a vendor to have both a real and a virtual presence.

Conclusion

Based on the assumptions and methodology herein, the sales potential for a public market

http://www.cityofnewhaven.com/CityPlan/pdfs/PlanningPrograms/ComprehensivePlan/EconomicDevelopment_files/frame.htm

is adequately large to create a successful development. The public market would need to make a reasonable penetration of the market for fresh and prepared foods to reach the \$13 million sales level. Of course, this will require an appropriate site and high quality vendors, which are discussed below.

Supply analysis

Attracting an adequate mix of capable vendors is often the most critical challenge of creating and sustaining a successful public market. Together with the right location, properly designed and developed facilities, skilled management, and effective marketing, it is the individual vendors who will determine whether the needs of customers are met and if customers will make the market a regular part of their shopping routine. Once the public market opens, the vendors control most of the market's destiny.

The purpose of the supply analysis is to assess the competition among area food stores and to determine if there is adequate talent and experience among people involved with food retailing in the region to operate successfully as vendors in a public market setting. At this stage, the analysis does not test the interest of these potential tenants in the public market but rather seeks to determine if there is "fertile ground" in which to do leasing.

Competition

Today supermarkets and groceries dominate food retailing in the United States, with nearly 95% market share in the year 2000. The remaining 5.3% of food sales are captured by specialized food stores, defined as stores that are primarily engaged in the retail sale of a single food category such as meat and seafood markets, dairy stores, candy and nut stores, and retail bakers. The market share of specialized food stores dropped from 6.6% in 1980 to 5.3% in 2000. All food stores are facing increased competition from mass-merchandisers and warehouse club outlets and long term trends toward more eating out, resulting in increased competition for a smaller pie.³

Over time, there has been a steep decline in the number of independent, specialty food stores selling basic food items, such as meat and seafood, making it more challenging to find experienced tenants for a public market. According to the 2002 Economic Census, there are 24,506 specialty food store establishments in the U.S.⁴ The census counted only 68 specialty food stores in the New Haven-Milford MSA in 2002 with sales of \$38 million, compared to 272 grocery stores with sales of \$1.4 billion.⁵

Despite this imbalance at the macro level, there is very little potential direct competition for fresh foods in downtown New Haven *at this point*. However, the introduction of a grocery store at the Shartenburg site will significantly change the competitive landscape.

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³ Economic Research Service, USDA, U.S. Food Marketing System, 2002, AER-811.

⁴ Source: http://www.census.gov/econ/census02/data/us/US000 44.HTM#N445

⁵ Source: http://www.census.gov/econ/census02/data/metro3/M3530044.HTM

Potential vendors

Market Ventures, Inc. met with a number of the farmers who participate in CitySeed's Wooster Square Farmers' Market and visited food stores in the region with CitySeed staff and board members. A few of these specialty food stores around New Haven had the qualities that should make them successful vendors in a public market: they had strong presentation, high quality products, and the active engagement of an owner/operator. While there are some strong specialty food businesses in the area, the quantity is quite limited. This is true of almost every region in the United States since the number of independent food stores has dwindled over the past several decades. Given New Haven's proximity to New York City, it is possible that specialty food vendors could be recruited from there.

It has been expected that some of the farmers currently participating in the farmers' markets would be interested in becoming public market vendors. Conversations with these farmers revealed that they are generally neither ready nor interested in becoming full time public market vendors. Rather, they are committed to farming and would like to expand their businesses incrementally rather than become full time marketers.

Feasibility analysis

In order to be feasible, a public market must have an appropriate site, funds to pay for development (typically public or philanthropic dollars), adequate demand from customers, an adequate supply of vendors, an operating pro forma that shows income can cover expenses following an initial start up period, and the organizational capacity to oversee the development and operate the market. The scope of this feasibility study was revised when it became apparent that a public market in New Haven could not meet all of these criteria at this time.

As described above, none of the three sites examined are appropriate for a public market. The demand analysis suggests that downtown New Haven should be able to attract adequate consumer demand to create a successful public market. As with all retail, the level of demand will be highly dependent on the facility's location. An adequately sized, visible, and accessible site with sufficient surface parking will provide a suitable location for a public market, but none appear available. As with all public markets, finding a strong mix of vendors will be a challenge, although the city's proximity to New York suggests that it is reasonable to create a tenant mix that will serve customers' needs.

Wooster Square Farmers' Market

Since it was determined that a new, indoor public market in New Haven is not considered feasible at this point, CitySeed requested that Market Ventures, Inc. provide some suggestions for improving the Wooster Square Farmers' Market. This market meets on Saturdays in Russo Park, across the street from Wooster Square. It is considered the flagship CitySeed farmers' market, attracting both the largest number of farmers and customers.

Russo Park is a small strip of property alongside DePalma Court between Chapel Street and Wooster Street, across the street from Wooster Square. About half of the area is paved. The aerial view at right shows the relationship between the square and park.

On farmers' market days, the park is transformed into a vibrant community activity, attracting residents from both the immediate neighborhood and elsewhere in the city and region. The accompanying photos show the park on the same day, when the market is there and when it is not.

There are several ways to expand an outdoor farmers' market:

- 1. More hours of operation
- 2. Additional days of operation
- 3. Longer operating season
- 4. More vendors with a wider range of products
- 5. Additional programming or amenities
- 6. Improved parking or access
- 7. Physical structure

Each of these ideas should be explored independently. Typically, a farmers' market "grows" over time, with more vendors, longer hours, more days per week, and a longer operating season added gradually to ensure that supply and demand are kept in balance. Sometimes, these types of changes are done on an experimental basis. For example, CitySeed could consider closing DePalma Court for one or two market days per season to coincide with a festival activity. If response from the community is good and the impact on traffic circulation and parking is not significant, then the idea of closing the street every market day should be considered. This would greatly expand the room for vendors and allow the creation of a "double aisle" of vendors rather than the single-sided aisle of the







relatively inexpensive change would be creating a removable tent structure over the park that could extend the market season through the winter. This structure could be erected from approximately late October through April, establishing a substantially more useful public space during the time of year when outdoor plazas are little used. The air inside the structure could be tempered enough to make the space comfortable for outdoor shopping and the sides could zip out for warm days. The shed could be architecturally quite interesting, perhaps using a high tensile fabric that allows a fanciful structure.

This concept would be a marginal change from CitySeed's current operations and should be well within its managerial capacity. It would benefit the market's current vendors and meet their needs for greater marketing opportunities but within a low cost selling environment.